



# City of Loma Linda Official Report

Robert Ziprick, Chairman  
Charles Umeda, Vice Chairman  
Robert Christman, Board Member  
Floyd Petersen, Board Member  
Stan Brauer, Board Member

CRA AGENDA: June 27, 2006  
TO: Agency Board Members  
VIA: Dennis R. Halloway, Executive Director  
FROM: Pamela Byrnes-O'Camb, Secretary  
SUBJECT: Interim financing of first lien, carry back financing for manufactured houses at 24966 Court Street, 10605 and 10599 Lind Avenue

## RECOMMENDATION

It is recommended that the Agency Board authorize the provision of first-lien carry back financing for the manufactured houses located at 24966 Court Street, 10605 Lind Avenue and 10599 Lind Avenue. The Agency would, as the seller of each unit, carry back a first lien mortgage for the amount of the purchase price (less any cash down payment by each homebuyer).

## BACKGROUND

As part of its Affordable Housing Program, the Agency Board authorized the purchase of three (3) manufactured homes to be placed on permanent foundations on single-family lots. Contract was awarded on January 24 to Family Homes of Tustin and the homes were delivered on June 1. The process of set up, garage construction, landscaping, and finalizing the interior is underway and is expected to be completed within the next three to four weeks.

Three families have qualified to participate in the Agency's First Time Homebuyer Program. Two of the families are proposed to be relocated from the east side of Poplar Street in preparation for the Agency's Housing Project.

CitiMortgage, the lender that has been providing loans under the Agency's First Time Homebuyer Program, has declined to finance manufactured housing at this time, although has indicated that because of the popularity of manufactured housing due to its affordability, a financing program may be considered in the future.

The dilemma at this point is that most lenders require subordination of covenants and do not finance manufactured housing. The manufactured housing industry has worked with a number of lenders; however, these lenders do not provide loans on units with long-term affordability requirements. In the implementation of the affordable housing production requirements under redevelopment law, it is the Agency's policy to restrict re-sale and not to subordinate its long-term affordability covenant in order to control, manage, and eventually eliminate its affordable housing deficit.

Staff has contacted several lenders in an effort to obtain commitments for financing; however, thus far none have agreed to participate in the Agency's Program as it relates to financing manufactured houses. We are at a point where the houses will soon be ready for occupancy.

## **ANALYSIS**

Interim financing of the First Time Homebuyer Program for manufactured housing would provide the Agency the opportunity for repayment of its monetary outlay while pursuing other financing methods, in addition to reducing probability of Program management problems. It will also provide security for the home sites by allowing occupancy upon completion of the sites. The terms of the carry back financing would be similar to those used by the Agency in its First Time Homebuyer Program (5% interest); however, it is proposed that the loans (there would be three) would have a due date three (3) years from the closing date, with each homebuyer being required to make diligent efforts to refinance the properties commencing after closing of the sales. At such refinancing, the Agency would carry back up to 20% of the purchase price in the form of a second deed of trust. It is felt that a short due date is required in order to encourage homebuyers to actively seek refinancing rather than assuming that the 5% rate will remain available for a longer period of time. The interest rate for second deeds of trust would be 5%.

## **ENVIRONMENTAL**

Not applicable.

## **FINANCIAL IMPACT**

Two of the houses are expected to sell for around \$150,000 (the limit being the result of the low income status of the homebuyers); the third is expected to sell for around \$200,000 (the higher price resulting from the circumstance that the homebuyer is a moderate income household). The provision of carry back financing does not involve additional capital outlay by the Agency at this time; it will, so long as the loans are outstanding, continue to tie up Agency funds. However, the expectation is that refinancing can be accomplished, at which time the Agency expects to receive funding equal to approximately 80% of the original sales prices; those funds would be plowed back into Agency affordable housing programs once received.